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SUBJECT: BELARUS: REGIME DEMANDS BORROWING BY STATE-OWNED BANKS

11. (U) In an effort to increase investment, the National Bank of Belarus recently ordered the country's banks to attract at least USD 2.7 billion worth of loans and direct foreign investment in 2008. According to Statistics Ministry data, the foreign debt for Belarus' banking sector grew 73 percent in 2007 to USD 2.57 billion.

12. (U) The country's largest bank, state-owned Belarusbank, recently reported that it is unable to pay off many of its creditors. Its debt to foreign banks and financial institutions grew by USD 40 million in the first quarter of 2008 and now amounts to USD 239.6 million. The bank announced plans to attract USD 800 million in new foreign funds this year in part by issuing USD 300 million worth of Eurobonds and by sale of up to 15 per cent of its stock to foreign investors. However, its recent track record of late repayments may hinder these efforts this year.

Comment

13. (SBU) With a growing trade deficit and a state budget under pressure, the GOB sees foreign credit as a lifeline. While it has already received USD 1.5 billion in sovereign credit from Russia and seeks USD 2 billion more this year, its most recent attempts to attract credit to state-owned banks and firms are likely to prove less successful. Like a good soldier, the National Bank will implement presidential instructions, but has made little effort to determine the viability of the debts that banks assume or the feasibility of the projects they fund.

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